

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4442-01
BILL NO.: HB 2006
SUBJECT: Elderly; Drugs and Controlled Substances; Revenue Dept.; Taxation and
Revenue-General-Income
TYPE: Original
DATE: April 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$7,847,000)	(\$7,847,000)	(\$7,847,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$7,847,000)	(\$7,847,000)	(\$7,847,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration (COA)** state this proposal expands the number of persons eligible for the pharmaceutical income tax credit. According to 1990 census information, there are 270,892 individuals in Missouri between the ages of 16 and 64 with a work disability. COA staff state that 1990 census information also indicates that for Missouri there are 36,436 people between the ages of 60 and 64 who live alone.

Oversight has made the following assumptions based on the information provided by the Office of Administration on the individuals who are between the ages of 16 and 64 with a work disability: 1) The participation rate of 50% would stay the same. 2) The 270,892 individuals with the work disability would be spread over the income class in the same proportion as the individuals 65 and over considered for the pharmaceutical income tax credit in legislation passed last session. The number of individuals 65 and over was 711,309. The 270,892 individuals are equivalent to 38% of the total number of individuals 65 and over. The estimated revenue impact of last year's legislation was a loss of \$20,000,000 annually. Assuming everything would remain the same, adding the disability group would have a revenue impact of 38% of the \$20,000,000 (\$7,618,000).

Oversight has made the following assumptions on the information provided by the Office of Administration on the people who are between the ages of 60 and 64 who live alone: 1) Oversight assumes 50% of these individuals received surviving spouse Social Security benefits. 2) Of those individuals only 50% would utilize the pharmaceutical income tax credit. Based on those assumptions Oversight has calculated the revenue impact of this portion of this proposal as follows:

36,436 individuals x 50% receive SS benefits = 18,218

18,218 individuals x 50% participation = 9,109

9,109 individuals / 711,309 individuals 65 and over = 1.28%

1.28% x \$20,000,000 = \$256,000 loss

Officials of the **Department of Revenue (DOR)** state this legislation expands the pharmaceutical tax credit by allowing disabled individuals, disabled veterans, spouses of disabled veterans and individuals 60 or older receiving surviving spouse Social Security benefits, to qualify for the tax credit.

ASSUMPTION (continued)

The Department of Revenue anticipates the number of pharmaceutical tax credits will increase. However, because the income limitations are different than the property tax credit, the number of additional credits is unknown. The Division of Taxation would need one temporary tax season employee for every 130,000 additional credits received for key entry.

Oversight assumes the Department of Revenue could handle the provisions of this proposal with existing resources or request additional staff through the budget process.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Loss to General Revenue Fund</u>			
Pharmaceutical Tax Credit for Disabled	(\$7,618,000)	(\$7,618,000)	(\$7,618,000)
Pharmaceutical Tax Credit for Surviving Spouse with SS Benefits	(\$256,000)	(\$256,000)	(\$256,000)
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>(\$7,874,000)</u>	<u>(\$7,874,000)</u>	<u>(\$7,874,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

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This bill authorizes any person with a disability, any disabled veteran or spouse of a disabled veteran, or any person 60 years of age or older who received surviving spouse benefits during the tax year to qualify for the pharmaceutical tax credit if the taxpayer's income meets the guidelines for the credit.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
April 6, 2000